



Martha's Table, Inc. and Affiliates
Consolidated Financial Statements
and Independent Auditor's Report
December 31, 2016 and 2015

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Independent Auditor's Report on Consolidated Financial Statements

To the Board of Directors
Martha's Table, Inc. and Affiliates
Washington, D.C.

We have audited the accompanying consolidated financial statements of Martha's Table, Inc. and Affiliates (collectively, "Martha's Table"), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Martha's Table Inc. and Affiliates as of December 31, 2016 and 2015, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Bethesda, Maryland
August 3, 2017

MARTHA'S TABLE, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2016	2015
Cash and Cash Equivalents	\$ 7,988,607	\$ 6,682,938
Pledges and Contributions Receivable, Net	6,404,071	4,121,988
Grants and Accounts Receivable	647,852	137,097
Prepaid Expenses	168,244	66,558
Property and Equipment, Net	2,262,223	2,360,147
	\$17,470,997	\$13,368,728

LIABILITIES AND NET ASSETS

LIABILITIES

Loan Payable	\$ 1,000,000	\$ -
Accounts Payable and Accrued Expenses	406,469	313,821
Deferred Revenue	318,309	461,406
Deferred Lease Incentive	26,970	34,676
Total Liabilities	1,751,748	809,903

NET ASSETS

Unrestricted:		
Board Designated – Reserve Fund	300,000	300,000
Board Designated – Capacity Building	2,449,788	2,462,258
Operating	3,211,294	3,861,297
Total Unrestricted	5,961,082	6,623,555
Temporarily Restricted	9,758,167	5,935,270
	15,719,249	12,558,825
	\$17,470,997	\$13,368,728

MARTHA'S TABLE, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Contributions and Grants						
Individuals	\$ 2,679,942	\$ 2,438,667	\$ 5,118,609	\$ 2,860,623	\$ 1,656,714	\$ 4,517,337
Corporations	455,251	100,000	555,251	595,726	919,010	1,514,736
Foundations	519,110	2,685,554	3,204,664	680,561	1,554,050	2,234,611
Civic and Religious Groups	95,152	15,000	110,152	112,989	565	113,554
Combined Federal Campaign	449,612	-	449,612	438,205	141	438,346
Federal and State Funds	2,229,273	-	2,229,273	1,292,532	-	1,292,532
	6,428,340	5,239,221	11,667,561	5,980,636	4,130,480	10,111,116
In-Kind Contributions						
Donated Services	180,200	-	180,200	175,100	-	175,100
Donated Food	912,669	-	912,669	832,150	-	832,150
Donated Clothing and Other Items	2,126,726	-	2,126,726	1,982,899	-	1,982,899
	3,219,595	-	3,219,595	2,990,149	-	2,990,149
Other Revenues						
Childcare Co-Pay	38,098	-	38,098	71,635	-	71,635
Investment Income (Loss)	48,552	-	48,552	(12,126)	-	(12,126)
Martha's Outfitters	531,682	-	531,682	495,725	-	495,725
Miscellaneous Income	5,783	-	5,783	4,186	-	4,186
Special Events, Net	(83,850)	332,262	248,412	79,209	297,727	376,936
Net Assets Released from Restrictions – Satisfaction of Restrictions	1,748,586	(1,748,586)	-	1,170,335	(1,170,335)	-
	2,288,851	(1,416,324)	872,527	1,808,964	(872,608)	936,356
Total Support and Revenues	\$ 11,936,786	\$ 3,822,897	\$ 15,759,683	\$ 10,779,749	\$ 3,257,872	\$ 14,037,621

MARTHA'S TABLE, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>			<u>2015</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
EXPENSES						
Program Services						
Healthy Eating	\$ 3,643,381	\$ -	\$ 3,643,381	\$ 2,985,787	\$ -	\$ 2,985,787
Healthy Start	3,325,017	-	3,325,017	2,845,821	-	2,845,821
Healthy Connections	431,279	-	431,279	423,608	-	423,608
Martha's Outfitters	<u>2,723,597</u>	-	<u>2,723,597</u>	<u>2,582,865</u>	-	<u>2,582,865</u>
Total Program Services	10,123,274	-	10,123,274	8,838,081	-	8,838,081
Supporting Services						
General Administration	1,166,588	-	1,166,588	1,514,386	-	1,514,386
Fundraising	<u>1,309,397</u>	-	<u>1,309,397</u>	<u>1,244,768</u>	-	<u>1,244,768</u>
Total Supporting Services	<u>2,475,985</u>	-	<u>2,475,985</u>	<u>2,759,154</u>	-	<u>2,759,154</u>
Total Expenses	<u>12,599,259</u>	-	<u>12,599,259</u>	<u>11,597,235</u>	-	<u>11,597,235</u>
CHANGE IN NET ASSETS	(662,473)	3,822,897	3,160,424	(817,486)	3,257,872	2,440,386
NET ASSETS, Beginning of Year	<u>6,623,555</u>	<u>5,935,270</u>	<u>12,558,825</u>	<u>7,441,041</u>	<u>2,677,398</u>	<u>10,118,439</u>
NET ASSETS, End of Year	<u>\$ 5,961,082</u>	<u>\$ 9,758,167</u>	<u>\$ 15,719,249</u>	<u>\$ 6,623,555</u>	<u>\$ 5,935,270</u>	<u>\$ 12,558,825</u>

MARTHA'S TABLE, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016

	Program Services				Total Program Services	Supporting Services		Total Supporting Services	Total Expenses
	Healthy Eating	Healthy Start	Healthy Connections	Martha's Outfitters		General Administration	Fundraising		
PERSONNEL EXPENSES									
Salaries (Including Donated Services)	\$ 975,116	\$ 2,053,628	\$ 268,873	\$ 273,727	\$ 3,571,344	\$ 657,189	\$ 725,684	\$ 1,382,873	\$ 4,954,217
Payroll Taxes and Benefits	238,732	482,442	55,193	55,042	831,409	111,695	156,342	268,037	1,099,446
	<u>1,213,848</u>	<u>2,536,070</u>	<u>324,066</u>	<u>328,769</u>	<u>4,402,753</u>	<u>768,884</u>	<u>882,026</u>	<u>1,650,910</u>	<u>6,053,663</u>
OPERATING EXPENSES									
Children's Food	186,649	-	-	-	186,649	-	-	-	186,649
Depreciation and Amortization	62,796	163,106	26,293	35,842	288,037	23,675	7,365	31,040	319,077
Extermination	966	2,511	405	551	4,433	362	113	475	4,908
Food – Other	798,575	819	1	2	799,397	2	2	4	799,401
Gasoline	9,590	-	-	1,061	10,651	-	-	-	10,651
Insurance	16,922	44,103	7,088	9,655	77,768	6,324	1,984	8,308	86,076
Meetings	1,273	5,223	276	494	7,266	6,739	5,523	12,262	19,528
Miscellaneous	22,397	62,451	5,981	20,379	111,208	35,961	87,576	123,537	234,745
Printing and Postage	20,101	53,903	8,365	11,418	93,787	11,323	157,791	169,114	262,901
Consultants and Professional Fees	109,410	217,239	10,007	62,379	399,035	212,023	133,473	345,496	744,531
Repairs and Maintenance	53,830	68,089	10,974	19,329	152,222	9,803	3,071	12,874	165,096
Rent	-	-	-	59,566	59,566	-	-	-	59,566
Research	24,119	267	266	-	24,652	-	-	-	24,652
Supplies	160,129	45,382	12,016	21,915	239,442	74,769	23,253	98,022	337,464
Tax, Tags, and Licenses	6,892	-	-	245	7,137	2,033	-	2,033	9,170
Trash Removal	4,491	11,671	1,881	6,498	24,541	1,679	527	2,206	26,747
Travel	2,627	30,653	10,201	276	43,757	979	2,291	3,270	47,027
Utilities	36,097	83,530	13,459	18,492	151,578	12,032	4,402	16,434	168,012
	<u>1,516,864</u>	<u>788,947</u>	<u>107,213</u>	<u>268,102</u>	<u>2,681,126</u>	<u>397,704</u>	<u>427,371</u>	<u>825,075</u>	<u>3,506,201</u>
DONATION EXPENSES									
Donated Food	912,669	-	-	-	912,669	-	-	-	912,669
Donated Clothing and Other Items	-	-	-	2,126,726	2,126,726	-	-	-	2,126,726
	<u>912,669</u>	<u>-</u>	<u>-</u>	<u>2,126,726</u>	<u>3,039,395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,039,395</u>
Total Expenses	\$ 3,643,381	\$ 3,325,017	\$ 431,279	\$ 2,723,597	\$10,123,274	\$ 1,166,588	\$ 1,309,397	\$ 2,475,985	\$12,599,259

MARTHA'S TABLE, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	Program Services					Supporting Services			Total Expenses
	Healthy Eating	Healthy Start	Healthy Connections	Martha's Outfitters	Total Program Services	General Administration	Fundraising	Total Supporting Services	
PERSONNEL EXPENSES									
Salaries (Including Donated Services)	\$ 765,378	\$ 1,693,978	\$ 224,411	\$ 290,961	\$ 2,974,728	\$ 820,995	\$ 485,219	\$ 1,306,214	\$ 4,280,942
Payroll Taxes and Benefits	182,684	375,934	55,039	73,136	686,793	179,195	96,253	275,448	962,241
	948,062	2,069,912	279,450	364,097	3,661,521	1,000,190	581,472	1,581,662	5,243,183
OPERATING EXPENSES									
Bad Debt Expense	-	5,197	-	-	5,197	-	-	-	5,197
Children's Food	150,876	460	-	-	151,336	746	-	746	152,082
Depreciation and Amortization	60,728	158,626	26,143	37,086	282,583	31,783	6,415	38,198	320,781
Extermination	1,111	2,901	478	678	5,168	582	117	699	5,867
Food – Other	611,743	1,316	-	219	613,278	44	-	44	613,322
Gasoline	14,639	-	-	1,490	16,129	5,290	-	5,290	21,419
Insurance	8,888	24,712	3,973	6,216	43,789	4,388	892	5,280	49,069
Meetings	935	5,374	256	285	6,850	13,064	809	13,873	20,723
Miscellaneous	9,400	22,294	4,062	10,493	46,249	102,908	45,859	148,767	195,016
Printing and Postage	-	63	-	-	63	4,603	171,344	175,947	176,010
Consultants and Professional Fees	50,638	245,200	55,611	47,758	399,207	225,106	414,418	639,524	1,038,731
Repairs and Maintenance	63,580	94,054	15,501	25,989	199,124	22,595	3,804	26,399	225,523
Rent	-	-	-	51,578	51,578	-	-	-	51,578
Research	7,394	-	-	-	7,394	-	-	-	7,394
Supplies	168,742	75,487	9,067	25,302	278,598	71,052	8,781	79,833	358,431
Tax, Tags, and Licenses	4,627	200	-	665	5,492	1,215	-	1,215	6,707
Trash Removal	4,465	11,663	1,922	3,027	21,077	2,336	472	2,808	23,885
Travel	1,095	29,254	8,194	142	38,685	1,726	1,356	3,082	41,767
Utilities	46,714	99,108	18,951	24,941	189,714	26,758	9,029	35,787	225,501
	1,205,575	775,909	144,158	235,869	2,361,511	514,196	663,296	1,177,492	3,539,003
DONATION EXPENSES									
Donated Food	832,150	-	-	-	832,150	-	-	-	832,150
Donated Clothing and Other Items	-	-	-	1,982,899	1,982,899	-	-	-	1,982,899
	832,150	-	-	1,982,899	2,815,049	-	-	-	2,815,049
Total Expenses	\$ 2,985,787	\$ 2,845,821	\$ 423,608	\$ 2,582,865	\$ 8,838,081	\$ 1,514,386	\$ 1,244,768	\$ 2,759,154	\$11,597,235

MARTHA'S TABLE, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 3,160,424	\$ 2,440,386
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Bad Debt Expense	-	5,197
Depreciation and Amortization	319,077	320,781
Loss on Disposal of Property and Equipment	-	3,410
Donated Investments	(605,248)	(602,505)
Proceeds from Sales of Unrestricted Donated Stock	620,795	563,031
Realized (Gains) Losses on Sales of Donated Stock	(15,547)	39,474
Receipts from Contributions for Long-Term Purposes	(1,745,680)	(735,331)
Change in:		
Pledges and Contributions Receivable	(2,282,083)	(2,051,342)
Grants Receivable	(510,755)	(3,290)
Prepaid Expenses	(101,686)	(8,946)
Accounts Payable and Accrued Expenses	92,648	68,797
Deferred Revenue	(143,097)	294,571
Deferred Lease Incentive	(7,706)	34,676
	<u>(1,218,858)</u>	<u>368,909</u>
Net Cash Provided by (Used in) Operating Activities		
CASH USED IN INVESTING ACTIVITIES		
Purchases of Property and Equipment	(221,153)	(226,856)
CASH PROVIDED BY FINANCING ACTIVITIES		
Proceeds from Loan Payable	1,000,000	-
Receipts from Contributions for Long-Term Purposes	1,745,680	735,331
	<u>2,745,680</u>	<u>735,331</u>
Net Cash Provided by Financing Activities		
INCREASE IN CASH AND CASH EQUIVALENTS	1,305,669	877,384
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>6,682,938</u>	<u>5,805,554</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 7,988,607</u>	<u>\$ 6,682,938</u>

MARTHA'S TABLE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Martha's Table, Inc. (Martha's Table) was incorporated in the District of Columbia on December 6, 1979. Martha's Table is a not-for-profit corporation operating in the District of Columbia, the purpose of which is to support stronger children, stronger families, and stronger communities by increasing access to quality education programs, healthy food, and family supports.

Martha's Table Hillsdale, LLC (Hillsdale), is a single member LLC, created in 2015, and is the builder and owner of The Commons at Stanton Square.

Martha's Table SO, Inc. (MT SO) was created in 2015 to support Martha's Table, Inc. in building a new facility and providing essential healthy start, healthy eating and healthy connections programs to the communities of Wards 7 and 8 in Washington D.C.

Neither Hillsdale or MT SO, had any significant activity during the years ended December 31, 2016 and 2015.

Principles of Consolidation

The consolidated financial statements include the accounts of Martha's Table, MT SO and Hillsdale (collectively, "Martha's Table"). All significant intercompany accounts and transactions between the organizations have been eliminated.

Program Services

The Healthy Eating Program

Martha's Table's Healthy Eating Program offers emergency meals, on-site grocery distributions, school grocery distributions, and on-site meals for the Early Childhood Education and youth programs, which meet or exceed government nutritional standards. McKenna's Wagon, Martha's Table's mobile food truck, distributes food seven days a week at three regularly scheduled sites. Martha's Table also provides groceries through monthly distributions at 31 sites including Public Elementary Schools, community centers and an on-site grocery program throughout the month. Martha's Table's pop-up no-cost grocery markets provide healthy produce and healthy pantry staples to families and neighbors.

Martha's Outfitters

Martha's Outfitters offers a wide assortment of low-cost, almost new, up-to-date clothing and household items in addition to providing no-cost sleeping bags, blankets, toiletries and children's supplies to low-income families and individuals in the community through our Outlet program. There are two Martha's Outfitters locations open to the community that provide these services. One that is open six days a week, Monday through Saturday, from 12 p.m. to 6 p.m. and serves residents of the 14th and U Streets area, and the other is also open five days a week from Monday through Friday, from 11 a.m. to 5 p.m. and serves the residents of Anacostia and surrounding neighborhoods in Southeast D.C.

There were 40,180 (unaudited) and 48,309 (unaudited) visits to Martha's Outfitters during the years ended December 31, 2016 and 2015, respectively.

MARTHA'S TABLE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Healthy Start Program

Our comprehensive, high quality Healthy Start program offers full day early childhood education to children from three months to three years of age, as well as out-of-school time programming for pre-kindergarten and elementary-aged students. Our educators work to ensure a sound developmental and academic foundation for children, laying the framework for school readiness beyond preschool. Students in Martha's Table's nationally-accredited out-of-school time program practice inquiry and develop critical thinking, collaboration, creativity, and communication skills. Our Healthy Start program is complemented by a critical family engagement and education component, which creates a strong home-school relationship for our students, and connects caregivers to supports they need to nurture successful families and futures.

The Healthy Connections Program

As our children progress through middle school, high school and college, we support our youth with service, leadership, and work opportunities as they mature into their future as learners, leaders, and earners.

Basis of Accounting

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting. Consequently, revenues are recognized when earned and expenses are recognized when the obligation is incurred.

Functional Allocation of Expenses

The costs of supporting and managing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and change in net assets. Accordingly, expenses have been allocated among the benefitting program and supporting services based on specific identification or reasonable allocation methodologies.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in operating and money market accounts, cash on hand, and highly liquid investments with original maturities of 90 days or less. Cash and cash equivalents include:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Designated – Capacity Building	\$ 2,449,788	\$ 2,462,258
Designated – Reserve	300,000	300,000
Restricted Contributions	5,031,826	2,115,636
Undesignated	<u>206,993</u>	<u>1,805,044</u>
	<u>\$ 7,988,607</u>	<u>\$ 6,682,938</u>

MARTHA'S TABLE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges and Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are reflected as pledges and contributions receivable and are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are reflected as pledges and contributions receivable and are recorded at their net present value using a risk adjusted discount rate. Amortization of the discount on pledges and contributions receivable is recognized as contributions and grants revenue. Conditional promises to give are recognized when conditions on which they depend are substantially met.

Management evaluates the need for allowances based on a review of the estimated collectability of the specific accounts, plus a general provision based on historical loss experience and existing economic conditions. Uncollectible amounts are charged off against the allowance for doubtful accounts once management determines an account, or a portion thereof, to be uncollectible. Based on management's evaluation of collectability of pledges and contributions receivable, no allowance for uncollectible accounts was required at December 31, 2016 and 2015. Bad debt expense was \$0 and \$5,197 for the years ended December 31, 2016 and 2015, respectively.

Grants Receivable

Grant expenses incurred before the related grant revenue is received are recorded as grants receivable.

Management evaluates the need for allowances based on a review of the estimated collectability of the specific accounts, plus a general provision based on historical loss experience and existing economic conditions. Uncollectible amounts are charged off against the allowance for doubtful accounts once management determines an account, or a portion thereof, to be uncollectible. Based on management's evaluation of collectability of grants receivable, no allowance for uncollectible accounts was required at December 31, 2016 and 2015.

Property and Equipment

Property and equipment is recorded at cost or, if donated, at fair value at the date of donation. Martha's Table capitalizes purchases over \$1,000 with an estimated useful life of greater than one year. Depreciation and amortization expense is computed using the straight-line method over the estimated useful lives of the related assets commencing in the month the asset is placed in service, as follows:

Buildings and Improvements	7 – 20 Years
Furniture and Equipment	3 – 15 Years
Vans	5 Years
Website	5 Years

MARTHA'S TABLE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Martha's Table classifies net assets into two categories: unrestricted and temporarily restricted. Within unrestricted net assets, Martha's Table's board has designated net assets for a reserve fund that consists of amounts for non-recurring expenses that require board action before they can be expended, and designated net assets for expansion activities, that was funded by a \$3,000,000 contribution from one foundation donor for board designated efforts that will contribute to the capacity building of Martha's Table.

Temporarily restricted net assets are contributions with temporary, donor-imposed time and/or program-specific restrictions. These temporary restrictions require that resources be used for specific purposes and/or in a certain period. Temporarily restricted net assets become unrestricted when the time restrictions expire or the funds are used for their restricted purposes and are reported in the consolidated statements of activities and change in net assets as net assets released from restrictions.

Revenue Recognition

Martha's Table records contributions as contributions and grants revenue when received in cash or when unconditionally pledged by the donor. Donated investments are reflected as contributions and grants revenue and are recorded at their fair value on the date of receipt. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Temporarily restricted revenues are contributions with temporary, donor-imposed time and/or program-specific restrictions. These temporary restrictions require that resources be used for specific purposes and/or in a certain period.

Revenues from federal and other funding sources are recognized when the related expenses are incurred. Expenses charged to federal grants are subject to audit and adjustment.

Special events revenue is presented net of revenue-sharing amounts paid to a partner organization and expenses of the special events as follows for the year ended:

	December 31,	
	2016	2015
Special Events Revenue, Gross	\$ 586,698	\$ 817,886
Less: Revenue Sharing Amounts Paid to a Partner Non-Profit Organization	(255,934)	(236,093)
Less: Special Events Expenses	(82,352)	(204,857)
Special Events Revenue, Net	\$ 248,412	\$ 376,936

In-Kind Contributions

In-kind contributions include food, clothing, investments and other items, such as toys and educational materials. In-kind contributions are recorded as in-kind contribution revenue and program or supporting expense at their estimated fair values at the date of donation.

MARTHA'S TABLE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Area supermarkets, caterers, food vendors, shops, hotels and volunteers provide over 98% of the food served by McKenna's Wagon at no cost or at significant discounts. In-kind contributions related to donated food are determined based on monthly estimates of meals served. In-kind contributions related to clothing and other items are determined based on periodic surveys of sale prices for comparable items at similar local thrift and second-hand stores.

In-kind contributions related to donated services are recorded in the consolidated financial statements to the extent that those services create or enhance a nonfinancial asset, or the services require specialized skills, the service is provided by individuals who possess those skills, and the service would typically need to be purchased if not contributed. Donated executive services of \$180,200 and \$175,100 that meet these criteria were recorded as in-kind contributions in the consolidated statements of activities and change in net assets for years ended December 31, 2016 and 2015, respectively.

Martha's Table periodically reviews its systems and processes for calculating in-kind contribution values and makes necessary updates.

For the years ended December 31, 2016 and 2015, Martha's Table's Healthy Eating Program benefited from volunteer hours totaling approximately 55,353 (unaudited) and 52,201 (unaudited) hours, respectively. The value of hours volunteered at Martha's Table is not recorded in the consolidated financial statements, as it does not create or enhance nonfinancial assets or require specialized skills. The value of such unrecorded labor was estimated by management at \$470,500 (unaudited) and \$443,709 (unaudited) for the years ended December 31, 2016 and 2015, respectively.

Income Taxes

Martha's Table and MT SO are exempt from federal tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. Hillsdale is treated as a disregarded entity for income tax purposes and consolidated into Martha's Table's tax filings. Accordingly, the accompanying consolidated financial statements do not include a provision for federal and state income taxes. Martha's Table has been classified by the Internal Revenue Service as a publicly supported organization under Section 170(b)(1)(A)(VI). Martha's Table did not have any unrelated business income for the years ended December 31, 2016 and 2015. Martha's Table recognizes interest expense and penalties on income taxes related to uncertain tax positions in general administration expenses on the consolidated statements of activities and change in net assets and accounts payable and accrued expenses in the consolidated statements of financial position. There is no provision in these consolidated financial statements for penalties and interest on income taxes related to uncertain tax positions for the years ended December 31, 2016 and 2015. Tax years prior to 2013 are no longer subject to examination by the IRS or the tax jurisdiction of the District of Columbia.

Concentrations

Martha's Table maintains bank deposits with commercial financial institutions that at times may exceed Federal Deposit Insurance Corporation (FDIC) limits. At December 31, 2016 and 2015, deposits in excess of FDIC limits totaled \$343,945 and \$25,871, respectively. Martha's Table monitors the creditworthiness of the institutions and has not experienced any credit losses on its bank deposits, nor does it expect to experience any such losses.

MARTHA'S TABLE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition, at December 31, 2016 and 2015, Martha's Table held funds totaling \$7,269,153 and \$5,758,998, respectively, at a local financial institution through a master repurchase agreement, whereby the funds are invested in securities backed by the United States government and related agencies.

Use of Estimates

Management uses estimates and assumptions in preparing these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were used.

Reclassifications

Certain 2015 amounts were reclassified to conform to the 2016 presentation.

Subsequent Events

Martha's Table has evaluated events and transactions for potential recognition or disclosure through August 3, 2017, the date the consolidated financial statements were available to be issued.

NOTE 2 – PLEDGES AND CONTRIBUTIONS RECEIVABLE

Pledges and contributions receivable consist of the following:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Pledges and Contributions Receivable in Less than One Year	\$ 3,733,877	\$ 2,352,077
Pledges and Contributions Receivable in One to Five Years	<u>2,784,199</u>	<u>1,857,083</u>
Total Pledges and Contributions Receivable	6,518,076	4,209,160
Less: Discount to Net Present Value	<u>(114,005)</u>	<u>(87,172)</u>
Net Pledges and Contributions Receivable	<u><u>\$ 6,404,071</u></u>	<u><u>\$ 4,121,988</u></u>

At December 31, 2016 and 2015, Martha's Table had conditional promises to give consisting of a \$9,350,000 grant as well as a gift of land in Washington D.C. for the Commons Expansion project. The gifts are conditional upon approval for the project by the D.C. Zoning Commission (which was received on April 11, 2016) and other conditions related to the project. The land conveyed to Martha's Table on February 17, 2017.

MARTHA'S TABLE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31,	
	2016	2015
Land	\$ 921,044	\$ 921,044
Buildings and Improvements	5,335,657	5,335,657
Furniture and Equipment	778,158	716,815
Vans	346,573	346,573
Website	73,646	73,646
Capital Project in Progress – Commons Expansion	269,370	109,559
	7,724,448	7,503,294
Less: Accumulated Depreciation and Amortization	(5,462,225)	(5,143,147)
	\$ 2,262,223	\$ 2,360,147

NOTE 4 – LOAN PAYABLE

Martha's Table received a \$1,000,000 program related loan from a Foundation to fund the development of the new Martha's Table Headquarters and Early Learning Center located in Ward 8 of Washington, D.C. The loan agreement runs through December 30, 2020. The funding is to be used for facility design, development and construction. The lender will retain significant involvement in the activities and services provided by Martha's Table. The loan amount shall be forgiven on or before the last day of the agreement as long as Martha's Table complies with all terms of the agreement, completes one year of operation in the new facility and participating in programs set forth by the Foundation. If Martha's Table does not comply with these conditions, the loan is to be repaid in full by December 30, 2020.

MARTHA'S TABLE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	December 31,	
	2016	2015
The Commons Capital Expansion	\$ 5,425,000	\$ 3,075,000
Joyful Food Markets	765,000	966,667
Special Events	329,553	284,754
Healthy Eating	73,434	154,659
Healthy Start, Healthy Eating and Healthy Connections	50,000	75,000
The Commons Programs Expansion	55,000	55,000
Healthy Start	912,540	40,000
Time Restricted	2,147,640	1,284,190
	\$ 9,758,167	\$ 5,935,270

Net assets released from restrictions consist of expended restricted contributions for the donor-imposed purposes or passage of time on pledges from donors. The net assets released were as follows:

	Year Ended December 31,	
	2016	2015
Program Personnel – Performance Management	\$ -	\$ 159,721
Joyful Food Markets	383,333	133,333
Healthy Eating	236,226	117,618
Healthy Start	349,460	110,875
Early Childhood Education	-	100,000
Special Events	287,463	94,064
Early Childhood Specialist/Movement Studio	-	53,990
Healthy Start, Healthy Eating and Healthy Connections	25,000	50,000
Witness to Hunger	-	8,000
Elementary to Career	-	2,500
Martha's Outfitters	-	50
Arts & Tech Program at Thurgood Marshall Academy	10,554	-
Time Restricted	456,550	340,184
	\$ 1,748,586	\$ 1,170,335

MARTHA'S TABLE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE 6 – LEASES

On February 22, 2013, Martha's Table entered into a 39-month non-cancellable retail space lease agreement for its second Martha's Outfitters location. The lease originally expired May 31, 2016, but a renewal option was exercised that extended the term to May 31, 2019 with rents escalating at a minimum of 3% per year over the renewal term. The lease calls for monthly payments of rent, plus direct payment of utilities and insurance and reimbursement of common area maintenance costs and real estate taxes. The terms of the lease agreement required a security deposit of \$3,684, which is included in prepaid expenses in the accompanying consolidated statements of financial position. Rent expense was \$59,566 and \$51,578 for the years ended December 31, 2016 and 2015, respectively.

Future minimum annual rents under the lease are as follows:

<u>Year Ending December 31,</u>	
2017	\$ 51,481
2018	53,026
2019	<u>22,365</u>
	<u>\$ 126,872</u>

On June 19, 2015, Martha's Table entered into a 60-month lease for new copiers. The lease calls for monthly payments of \$2,907. Upon signing this lease, Martha's Table received a \$38,529 lease incentive payment to be used to payoff the remaining payments on two previous copier leases. The deferred lease incentive will be amortized over the life of the lease.

Future minimum annual rents under the lease are as follows:

<u>Year Ending December 31,</u>	
2017	\$ 34,882
2018	34,882
2019	34,882
2020	<u>17,441</u>
	<u>\$ 122,087</u>

NOTE 7 – BENEFIT PLAN

The employees of Martha's Table who work 1,000 or more hours within a 12-month period are eligible to participate in a 403(b) tax-deferred annuity plan, through which they can defer up to the legal limits allowed by the Internal Revenue Code. Martha's Table contributes 3% for all eligible employees, plus Martha's Table makes a 1% contribution if the employee contributes 1%. Martha's Table made contributions of \$101,096 and \$81,450 to this plan for the years ended December 31, 2016 and 2015, respectively.

MARTHA'S TABLE, INC. AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

NOTE 8 – COMMONS EXPANSION

In 2015, Martha's Table and Horning Brothers signed a series of agreements that outline the relationship between the two parties and the process by which they will build and operate a new building in Ward 8 located at the Commons at Stanton Square. The Land Grant Agreement details the process by which land will transfer from a Horning Brothers' entity to Martha's Table Hillsdale LLC, and conditions required for that transfer. The Grant Agreement documents the process by which Horning Brothers' entity will donate funds to Martha's Table SO, Inc. to support the building of the new headquarters. In 2016, Martha's Table and the Horning Brothers signed a Pre-Development agreement to get the project started and outline how the costs would be split.

NOTE 9 – SUBSEQUENT EVENTS

Loan Agreement

On April 14, 2017, Martha's Table entered in an agreement for a revolving loan up to \$8,000,000. Proceeds from the loan are to be used to fund the capital improvements in connection with the new headquarters in S.E. Washington D.C., or contributions or loans to Martha's Table SO, Inc., related to development expenses of the new headquarters. Outstanding principal on the note will have an interest rate of 3.35% per year, with payments of interest due monthly. Unpaid principal and accrued interest are due upon maturity on October 14, 2019. The note has an option to be extended through April 1, 2020. The interest rate for the extension period is at a fixed rate equal to the average of the two-year and three-year United States Treasury Yield, plus 2.37%. The note is secured by a deed of trust, assignment and security agreement.

Jubilee Housing Lease

On May 19, 2017, Martha's Table entered into an agreement to lease space on Columbia Road, N.W. Washington, D.C. to house their programs. The commencement date on the lease is the earlier of 120 days after the delivery date or Martha's Table receives its OSSE license. The delivery date is estimated to be July 1, 2018. The lease will run for 120 months from the date of commencement. Base rent will be \$14,872 per month, and increases by 2% each year.

New Market Tax Credits

In May 2017, Martha's Table entered into a series of transactions to help finance construction of its new headquarters located at 2735 Elvans Road SE, through the New Market Tax Credit (NMTC) Program. Under this arrangement, Martha's Table SO, Inc. provided an outside investment fund an \$18,974,200 loan. The loan accrues interest at a rate of 1% per year. Quarterly payments of interest-only are due through July 20, 2024. Quarterly payments of principal and interest are due from October 20, 2024 through October 20, 2044. The investment fund then provided loans to various Community Development Entities (CDE's) which in turn made loans to Martha's Table Hillsdale, LLC. Martha's Table Hillsdale, LLC received loans of \$3,975,900 and \$1,904,100 from Impact CDE 58 LLC, \$8,371,800 and \$3,388,200 from City First Capital 49, LLC, \$3,313,250 and \$1,686,750 from MS New Markets XIII, LLC, and \$4,825,000 from New Markets Investment 105, LLC. Each loan from the CDE's requires quarterly payments of interest-only at 1.009% per annum through June 30, 2024. Starting on October 5, 2024, quarterly payments of principal and interest are due, with the entire unpaid principal due on October 5, 2052.

MARTHA'S TABLE, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 9 – SUBSEQUENT EVENTS (Continued)

Sale of 14th Street Property

On May 26, 2017, Martha's Table entered into an agreement to sell its land and buildings located on 14th Street in Washington D.C. In accordance with the agreement, \$3,000,000 was received in an escrow account and will be held until closing. Closing is anticipated to take place in 2018, once Martha's Table relocates to its new headquarters.

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